

DOCKET SECTION

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS FRONK TO INTERROGATORIES OF  
NASHUA PHOTO INC., DISTRICT PHOTO INC., MYSTIC COLOR LAB, AND  
SEATTLE FILMWORKS, INC.  
(NDMS/USPS-T32-53-56)

The United States Postal Service hereby provides responses of witness Fronk to the following interrogatories of Nashua Photo Inc., District Photo Inc., Mystic Color Lab, and Seattle Filmworks, Inc.: NDMS/USPS-T32-53-56, filed on September 26, 1997.

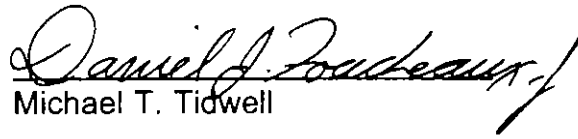
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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*for*   
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October 10, 1997

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK TO  
INTERROGATORIES OF NDMS

NDMS/USPS-T32-53. Please refer to your response to NDMS/USPS-T32-41. You responded that "it is anticipated that PRM will be standard-size letter mail weighing one ounce or less," and that mailpieces "of different sizes and shapes are not contemplated for PRM or the mailer systems which would process PRM." That interrogatory was not limited to the specifics of Postal Service's proposal, but rather sought information about "the administrative and auditing costs associated with making sure that the mailer-supplied piece counts are correct...[w]ithout regard to whether various types of mail are automatable, or would qualify for PRM as proposed by the Postal Service..."

- a. If all of the mailpieces received were identical, but **flat-shaped** instead of letter-shaped, would this affect the administrative and auditing costs?
- b. If all of the mailpieces received were identical, but **parcel-shaped** instead of letter-shaped, would this affect the administrative and auditing costs?
- c. If the mailpieces received were identical weight **letters** over one ounce (e.g. 1.5 ounces), would this affect the administrative and auditing costs? Please explain any affirmative answer?
- d. If the mailpieces were identical weight **flats** over one ounce (e.g. 1.5 ounces), would this affect the administrative and auditing costs? Please explain any affirmative answer.
- e. If the mailpieces were identical weight **parcels** over one ounce (e.g. 1.5 ounces), would this affect the administrative and auditing costs? Please explain any affirmative answer.
- f. If all of the mail received were small parcels, received in identical envelopes, but of varying weights (e.g., 0.8 to 5.0 ounces), would there be any effect on administrative and auditing costs other than that required to determine the correct amount of First-Class postage due?

RESPONSE:

(a)-(b) Yes. The administrative and auditing costs for a PRM system are premised on participants maintaining a high quality and easily audited system for determining the amount of mail received. As I indicate in my response to NDMS/USPS-T32-41, "Since PRM is especially targeted at the billing/remittance portion of the mailstream, the Postal Service anticipates that participating organizations will already have in place sophisticated automated payment systems that maintain a high degree of quality control due to their financial nature. The homogeneity of the PRM mailpieces coupled with the degree of quality control inherent in a payment system should make these systems

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RESPONSE TO NDMS/USPS-T32-53 (continued)

amenable to audits and the level of fee proposed." Also, as I stated in my response to POIR No.3, Question 23(a):

A PRM system is an automated system that develops the information needed (for example, counts of mailpieces returned or the percentage of outgoing mailpieces typically returned) for the participant to calculate the amount of PRM postage owed. It also generates reports documenting such calculations and involves quality control procedures which help ensure accuracy of system outputs. In addition, a PRM system involves maintaining documentation and the audit trail needed for the Postal Service to review system operations, completeness, and accuracy.

In your question you ask me to assume away whether the mail pieces are automatable or whether they would qualify for PRM as proposed by the Postal Service. If the pieces are flats or parcels, will the mailer have the kind of easily-auditable, high quality system described above? For example, if the mailpieces consisted of nonbarcoded flats, I have difficulty conceiving how the mailer could maintain the kind of system contemplated in the development of the administrative and auditing costs set forth in my testimony.

(c) This may or may not affect the auditing and administrative costs. If the mailer has the kind of easily-auditable and high quality system described in parts (a)-(b) above, which could be possible for 1.5 ounce automatable letters, then the administrative and auditing costs are unlikely to be affected. On the other hand, if the mailer had 6-ounce nonautomatable letters, I have difficulty conceiving how the mailer could maintain the kind of system contemplated in the development of the administrative and auditing costs set forth in my testimony.

(d)-(e) Please see my response to (a)-(b) above.

(f) Since the point of Postal Service auditing and administrative activities under the proposed PRM program is to make sure the mailer-supplied postage calculation is correct, my response is "no." Please note, however, that parcels of varying weight would make the pieces heterogeneous and of differing amounts of postage, making the auditing of the postage calculation more complex than that contemplated under PRM.

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NDMS/USPS-T32-54. Please refer to your response to NDMS/USPS-T32-41. You state that "[s]ize and shape imply weight and rate differences which complicate the auditing process." Assume return mail of varying weights, with varying amounts of First-Class postage due.

- a. Which administrative and auditing costs would vary with the **size** of the mailpiece?
- b. Which administrative and auditing costs would vary with the **shape** of the mailpiece?
- c. Which administrative and auditing costs would vary with the **weight** of the mailpiece?
- d. Please confirm that the only administrative and auditing cost affected by these mailpieces' nonidentical weight is the determination of the correct First-Class postage.

RESPONSE:

(a)-(c) As I discuss elsewhere in my response to NDMS/USPS-T32-41, pieces of different sizes and shapes are not the type contemplated for PRM or the mailer systems which would process PRM. For more information on the type of mailer system contemplated in developing my auditing and administrative cost estimate, please see my response to NDMS/USPS-T32-53.

As shape, size, and weight are allowed to vary for the mailpieces, I have difficulty conceiving of how the mailer could maintain the kind of high quality and easily audited system contemplated in the development of the administrative and auditing costs set forth in my testimony. It is not a matter of which specific costs would change as much as it is a matter of whether the Postal Service's PRM auditing approach would work at all.

(d) Since the point of Postal Service auditing and administrative activities under the proposed PRM program is to make sure the mailer-supplied postage calculation is correct, confirmed.

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK TO  
INTERROGATORIES OF NDMS

NDMS/USPS-T32-55. Please refer to your response to NDMS/USPS-T32-41. You state that the homogeneity of the mailpieces should make the systems amenable to audit. Are you speaking of the homogeneity of the pieces among PRM recipients, or the homogeneity of the mailpieces received by any individual PRM recipient?

RESPONSE: My use of the word "homogeneity" in this response referred to the homogeneity of the pieces received by an individual PRM recipient. As I state earlier in my response, however, "...it is anticipated that PRM will be standard-size letter mail weighing less than one ounce or less. There is also a PRM rate for cards." Thus, there is also a homogeneity in the mailpieces among PRM recipients. Also, please see my responses to NDMS/USPS-T32-53 and 54.

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK TO  
INTERROGATORIES OF NDMS

NDMS/USPS-T32-56. Please refer to your response to NDMS/USPS-T32-41. You state that administering weight averaging audits "would involve frequent involvement of Postal mail processing personnel to confirm counts, and would be more costly than the type of audit contemplated by the PRM proposal."

- a. Please confirm that mailpiece counts are not conducted to calculate postage under a weight averaging system, once the pound rate has been developed. If you do not confirm, please explain your answer fully.
- b. Please confirm that the only additional "involvement of Postal mail processing personnel" associated with a weight averaging system relates to determining the correct amount of First-Class postage. If you do not confirm, please explain fully.

RESPONSE:

(a) Within the context of my response to NDMS/USPS-T32-41(c), not confirmed. I recognize that the point of weight averaging is to avoid counting every piece. However, the portion of my testimony that you quote was part of a response in which I stated that weight averaging would not be an option a PRM participant could use to perform the postage calculation in the PRM program. As I state in that response:

"...Weight averaging does not leave an audit trail or create the reports and documentation that an automated system does. Administering weight averaging audits would involve frequent involvement of Postal mail processing personnel to confirm counts, and would be more costly than the type of audit contemplated by the PRM proposal."

In this context, "confirm" refers to the fact that, if weight averaging was a PRM option, the Postal Service would have to periodically conduct its own weight averaging to confirm that the mailer supplied counts developed from the mailer's weight averaging and the resulting postage calculation were correct.

(b) Please see my response to NDMS/USPS-T32-54(d).

DECLARATION

I, David R. Fronk, hereby declare, under penalty of perjury, that the foregoing Docket No. R97-1 interrogatory responses are true to the best of my knowledge, information, and belief.

*David R. Fronk*

David R. Fronk

10-10-97

Date

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

*for*   
Michael T. Tidwell

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October 10, 1997